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TAGS: [PGOV](#) [PREL](#) [IT](#)
SUBJECT: ITALY: LOOKING BEYOND PRODI WHILE ENGAGING HIM

REF: A. ROME DAILY REPORT (10/26/2007)

[1](#)B. ROME DAILY REPORT (10/22/2007)
[1](#)C. ROME 2093

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Classified By: Ambassador Ronald P. Spogli for reasons 1.4 (b) and (d).

SUMMARY

[1](#)1. (C/NF) After the center right defeated Prodi's governing majority October 25 on seven fiscal bill amendments in the Senate, Prodi scraped together enough votes to pass the main piece of legislation at 1:04 a.m. With additional coalition allies threatening to drop Prodi daily, the political debate has moved from whether Prodi will survive to what kind of government will replace him. A survivor, Prodi could still manage to hold on through mid-2008, but politicians are debating the merits of immediate elections, caretaker governments and electoral reform. With GoI attention focused on domestic survival, pressing forward on common strategic objectives could become increasingly difficult, and continued senior-level engagement will become even more necessary to keep the GoI focused. END SUMMARY.

STALEMATE MOVES TO CHECK

[1](#)2. (C/NF) On October 25, PM Prodi's governing majority "went under" in voting on seven amendments to a fiscal bill forming part of the overall budget package. One amendment united the radical left with the center-right opposition to pass an alternative minimum tax-like proposal that would cost 5 billion euros annually. However, the underlying fiscal bill was ultimately passed at 1:04 AM (REF A). A FI Deputy told Poloff that unhappy coalition members were sending Prodi the message they could bring him down, but that they were ultimately not ready to do so, just yet.

[1](#)3. (C/NF) The Senate is currently scheduled to conclude voting on the various budget bills by November 14 (REF B). Contacts in the Senate told Poloff that Prodi will likely attach portions of the budget legislation to a confidence vote in order to enforce coalition discipline. Failure to pass such a vote would force Prodi to submit his resignation to President Napolitano.

AFTER WEEKS OF COALITION INFIGHTING

[1](#)4. (C/NF) The failed votes came after weeks of acrimonious intra-coalition fighting, especially between Minister of

Justice Clemente Mastella (UDEUR) and Minister of Infrastructure Antonio Di Pietro (IdV). Forza Italia Deputy Michaela Biancofiore also confirmed to Poloff rumors that former PM Silvio Berlusconi has reached a deal with three senators from the center-left South Tyrol People's Party (SVP), though she cautioned they could always be "bought back" by Prodi. The SVP Senators potentially join an expanding list of moderate former-Daisy Senators reportedly ready to abandon Prodi (REF C).

GOVERNMENTS FALL INTO PRE-ARRANGED PIECES

¶5. (C/NF) Talk of the Prodi government's collapse began before it took office. However, a Communist Renewal (RC) party official told Poloff in September that "politicians do not take a leap in the dark," meaning the Prodi government will stand until the groundwork for an alternative government has been laid. In recent weeks, the political debate shifted subtly from whether the Prodi government will fall to what will happen when the government falls. The after-Prodi debate is generally accompanied by a discussion of electoral reform, which most agree is necessary as a potential antidote to Italy's fragmented political scene.

¶6. (C/NF) Following are the most frequently discussed scenarios:

Prodi government holds: Prodi has shown an uncanny ability to avoid political checkmate (REF C). Many still consider it likely that Prodi will survive the budget debate but believe his government will collapse sometime in 2008. In 1994, the Northern League withdrew support from the first Berlusconi government but did not actually bring him down until the following January, after the budget had been approved.

Immediate elections: Immediate elections are unlikely, and most analysts believe the soonest elections could be held is

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March 2008. President Napolitano has repeatedly said he would not call new elections absent electoral reform.

Prodi Caretaker: After the government falls, Napolitano could invite Prodi to continue in a caretaker capacity until early 2008 elections are held. This would allow Prodi to pass the budget with support from the center right and possibly negotiate electoral reform.

Technical/Institutional Government: Even RC leader Fausto Bertinotti has recently opened to the idea of a technical or institutional government taking the reigns from Prodi as when Lamberto Dini replaced Berlusconi in 1995 or Giuliano Amato replaced Massimo D'Alema in 2000. Senate President Marini and Dini are frequently mentioned as possible candidates to lead an institutional government though other options are possible. Talk of a German-style grand coalition has all but disappeared.

COMMENT

¶7. (C/NF) In the chess game of Italian politics, Prodi has moved from stalemate into check, and he is struggling to avoid checkmate. As a result, the Prodi government could find it difficult to concentrate on some difficult foreign policy challenges. In this environment, continued senior-level engagement on common strategic objectives could become even more necessary to keep the GoI focused on key foreign policy challenges. END COMMENT.
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